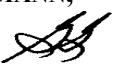





SUGAR LAND 4B CORPORATION

AGENDA REQUEST

AGENDA OF:	11-20-13	AGENDA REQUEST NO:	II-A
INITIATED BY:	CHRISTINE RANKIN, EXECUTIVE SECRETARY	RESPONSIBLE DEPARTMENT:	CITY SECRETARY
PRESENTED BY:	GLENDA GUNDERMANN, CITY SECRETARY	DIRECTOR:	GLENDA GUNDERMANN, CITY SECRETARY 
		ADDITIONAL DIRECTOR (S):	N/A
SUBJECT / PROCEEDING:	SUGAR LAND 4B CORPORATION MEETING OCTOBER 16, 2013 APPROVE MINUTES		
EXHIBITS:	MINUTES OCTOBER 16, 2013		
CLEARANCES		APPROVAL	
LEGAL:	N/A	DIRECTOR:	REGINA MORALES,  ECONOMIC DEVELOPMENT
RECOMMENDED ACTION			
Approve the minutes of the Sugar Land 4B Corporation meeting held October 16, 2013.			
EXHIBITS			

STATE OF TEXAS §
COUNTY OF FORT BEND §
CITY OF SUGAR LAND §

**CITY OF SUGAR LAND
SUGAR LAND 4B CORPORATION MEETING
WEDNESDAY, OCTOBER 16, 2013**

REGULAR MEETING

The Sugar Land 4B Corporation convened in regular meeting open to the public in Cane Room, 161, of Sugar Land City Hall on Wednesday, October 16, 2013 at 4:00 o'clock P.M. and the roll was called of the members; to wit:

James Clancy, Jr.
Mary Favre
William Hickl
Cynthia Knox
Allan Lazor
Bridget Yeung

QUORUM PRESENT

All of said members were present except ***Director Favre*** and ***Director Lazor*** who were absent. Also present were:

Regina Morales, Director of Economic Development
Eugenia Cano, Assistant City Attorney
Karen Daly, Assistant City Manager
Christine Rankin, Executive Secretary, and
A Number of staff and visitors

CONVENE MEETING

Vice President Knox convened the session, open to the public, to order at 5:04 o'clock P.M.

MINUTES

Vice President Knox introduced consideration of and action on approval of the minutes of the Sugar Land 4B Corporation meeting held on August 21, 2013.

Following a full and complete discussion, ***Director Yeung***, seconded by ***Director Clancy***, made a motion to approve the minutes of Sugar Land 4B Corporation meeting August 21, 2013. The motion carried unanimously.

ELECTION OF OFFICERS

Vice President Knox introduced consideration of and action on election of Corporation President and Vice-President.

Ms. Regina Morales, Director of Economic Development, stated the Corporation By-Laws state that a Corporation President and Vice President shall be appointed by the Board on an annual basis. The Secretary and Treasurer positions are appointed by City staff.

Recent changes in the board include Mr. William Hickl being appointed to the board; Director Knox has been Vice-President since 2011. There are no term limitations at this time.

Director Jajoo nominated **Director Yeung** for President. **Director Clancy** nominated **Director Knox** for President.

The Board discussed the advantages of having someone from the community serve as President versus a Councilmember serving as President. It was agreed that though someone from each has served as past President, it was more advantageous to have a Councilmember serve. **Director Knox** withdrew her nomination.

Following a full and complete discussion, **Director Jajoo**, seconded by **Director Hickl**, made a motion to approve the nomination of **Director Yeung** as President. The motion carried unanimously.

Director Knox nominated **Director Clancy** as Vice President. No other nominations were received.

Following a full and complete discussion, **Director Knox**, seconded by **Director Yeung**, made a motion to approve the nomination of **Director Clancy** as Vice President. The motion carried unanimously.

ORIENTATION

President Yeung introduced review of and discussion on Board of Directors' role in economic development processes and objectives, use of sales tax funds, and projects funded by Sugar Land 4B Corporation.

Ms. Regina Morales, Director of Economic Development, stated that each director received an Orientation Binder that includes a copy of the Resolution establishing the Sugar Land 4B Corporation and a copy of the Development Act which allows the formation of a 4B Corporation under Chapter 501 of the local Government Code. Other items included in the binder include a copy of the PowerPoint used for the presentation, copy of Fiscal Year 2014 Budget, copy of the Corporation By-Laws, copy of the City Charter, Open Meetings Act, Board Roster and the Policy for the Joint Capital Improvement Program which the Board oversees.

ORIENTATION (CONTINUED)

Objectives

- Economic Development
- History of Economic Development Sales Tax
- Purpose of SL4B
- Duties and Responsibilities
- Budget Process
- Permissible Type B Projects

Economic Development

Economic Development is the process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services. The economic developer's role is to influence the process for the benefit of the community through expanding job opportunities and tax base.

It is the process by which new dollars are infused into a local economy by primary employers; those employers whose products and services are ultimately used in statewide, national or international markets.

- Primary employers create primary jobs
 - jobs created by manufacturing, professional services, distribution/warehouse, service industry etc. that produce or sell their services on a regional, state, national or international basis.
- Non-primary jobs are created in the local area and are the direct result of a certain level of economic development
 - Local grocery store, service station or restaurant
- Primary jobs are the foundation of local economic development in that they are the flow of money within a community. Legislation, included in the orientation binder, discusses primary jobs, its definition and how all activities must go into promoting, expanding and creating new primary jobs
- Retail expansion is the product of economic development, not the cause of it
- Local governments "profit" from economic growth and development
 - Staff analyzes on a daily basis for future ad valorem, sales tax, and HOT tax revenues to the City

Ms. Morales reviewed how the flow of money occurs using an example of one-thousand primary jobs with an average pay of \$45,000.00:

- Significant Economic Impact
 - More than \$86 million in community payrolls
 - Money to support 2,100 households
 - Generates \$8.5 million in local government taxes
 - Creates more than \$130 million in taxable retail sales
 - Causes more than \$550 million in economic transactions

ORIENTATION (CONTINUED)

- Creates another 1,700 jobs
 - 180 retail jobs
 - 180 health care jobs
 - 250 wholesale jobs and transportation jobs
 - 150 finance and professional jobs
 - 170 restaurant and hotel jobs
 - 400 manufacturing jobs
 - More than 300 jobs in construction and other sectors

When asked, **Ms. Morales** explained to the Board why, from an Economic Development perspective, the school districts are considered non-primary jobs. It was stated that though Fort Bend Independent School District is the largest county employer with over 10,000 jobs they are, when the flow of money is examined, considered a non-primary employer. They are the result of primary jobs bringing in families into the community. Without a doubt it can be said that the school district attracts homebuyers and the relationship between that and employers go hand in hand. **Ms. Eugenia Cano, Assistant City Attorney**, stated State Law sets up the ability to spend funds with primary jobs and another one provides for funds used for infrastructure improvements. That one does not rely on the definition of primary jobs.

To illustrate job creation disparity, **Ms. Morales** talked about various employment multipliers:

- A fast food job creates 1/10 additional job
- A high-paying manufacturing job creates 2+ spin-off jobs and has an economic impact of over \$370,000 annually
- A job at an advanced technology company creates 7 additional jobs
- One wealthy retiree creates 3 additional jobs

In addition to Primary Employers, local economic development activity can also be created by tourism, which generates overnight stays and supports retail activity; and by transfer payments, which is the transfer of goods between entities and the flow that occurs at local/national/international levels. Primary employers drive the local economy by supporting local suppliers so local services and retailers can thrive.

Ms. Morales reviewed best practices of successful economic development organizations:

- Develop an Action Plan
 - Include strategic planning
 - Define missions, goals, and priorities
 - Identify assets and resources
 - Develop and follow an annual work plan

ORIENTATION (CONTINUED)

- Build and Sustain Collaborative Relationships
 - Inclusive in the way they implement action plans within the community
 - Build bridges and develop formal and informal collaboration with
 - Workforce Boards
 - Universities and Community Colleges
 - Local Businesses
 - Local Government
 - Regional Organizations
 - State Legislature
- Never stop educating elected officials, policymakers, and other stakeholders about what economic development is and is not
 - Means different things to different communities
 - A Dairy Queen might represent development to a small community
 - Texas Instruments represents development to a larger community such as Sugar Land

The best economic development boards and officials understand the connections between economic development and other city policies; the regulatory environment; local economic development stakeholders and partners; and the needs of their business community.

To meet the City goal of a strong, local economy, the following Mission Statement was created for Sugar Land Economic Development:

To facilitate, through use of appropriate resources, the creation of a sustainable business environment that promotes a consistent, quality economy that enhances the standard of living for our residents, and to provide the necessary financial resources for the City of Sugar Land through an expanded and diversified tax base.

Sugar Land Economic Development Strategies are included in the Five-Year Economic Development Strategic Plan:

- Primary Industry Program
 - Competitive Positioning
 - Enhancing Competitive Factors – Incentive Recommendations
 - Tools
 - Business Attraction Marketing: Financial Services, Health Care, Company Headquarters, Pharmaceuticals, Research and Development, Medical Instruments, Energy, Research
 - Sales Program for Winning Projects
- Business Retention Program
 - Cultivating Existing Industry Growth (Noble Drilling)
 - Enhancing Competitive Factors – Incentive Recommendations
 - Health Industry Sector Strategy (Retention)
 - Sugar Land’s medical facilities are sometimes referred to as the “mini Texas Medical Center”

ORIENTATION (CONTINUED)

- Tourism Program
 - Brand the Sugar Land Visitor Experience
 - Comprehensive Marketing Program
 - Hotel and Meeting Target Marketing
 - Cultivating Tourism Industry Stakeholders

The Board discussed how the tourism program is relatively new but tremendous results have been seen with the launching of the new website and through marketing efforts with stakeholders, several new conferences will be coming to Sugar Land in 2014 and 2015.

- Retail Program (Support Role)
 - Information & Referral
 - Community Marketing
 - Retail Attraction Support
 - Commercial Redevelopment Support

A study will be conducted in 2014 which may identify new key retailers that are desired within our community. In addition, Economic Development supports efforts of landlords and developers to attract retailers.

- Compliance Program (Development and Lease Agreements, Performance Agreements and Tax Abatement Agreements etc)
 - Compliance & Monitoring
 - Performance Requirements are typically required for 10 years

The Board discussed the 10 year requirement and how to keep the companies beyond that. **Ms. Morales** explained the twofold approach. The incentives are not paid all up front. The incentives are earned as the economic impact is realized by the community. When the projections are not met, the incentives are reduced proportionately. The second component is the call back provision by which the company will be required to pay back the incentives to the City if they leave before the 10 year term has been completed.

Due to the uncertainty of the economy, companies have been reluctant to make a 10 year commitment and though they were willing to make a 3-5 year commitment could not make a higher commitment and had to walk away. Currently, shorter commitments are not being offered by other communities. Additionally, more companies are not building their own facilities but have entered into lease agreements and thereby minimizing their capital investments.

- Property Tax Assessor/Collector
- Agreement Compliance Management Program

ORIENTATION (CONTINUED)

- Corporation Administration
 - Type A/B Corporation Administration
 - Local Government Corporation
 - TIRZ #1 Administration
 - Economic Development Committee
 - Agreement Development/Negotiations
- Strategic Projects
 - Performing Arts Center
 - Possible Convention Center
 - Citywide Marketing Program
 - Historically targeted to specific audiences
 - Area Development Magazine
 - Site Selector Magazine
 - Business Facilities Magazine
 - Tourism targeting visitors
 - The Woodlands set the bar on marketing the community as a whole
 - Program recommendations will be submitted in the near future
 - Implement Tourism Structure
 - New program that City Council developed over the last couple of years
 - Branding process
 - Marketing initiative
 - Developing the long term structure of the Sugar Land Convention and Visitors Services
 - Retail Study
 - New study that will review the study conducted in 2009
 - Constantly changing environment

Ms. Morales commented that having the Economic Development Department housed within the City allows them to work closely with other departments in creating strategic projects and public/private partnerships. The economic development structure also allows the City to leverage funding between Sugar Land Development Corporation (Type A), Sugar Land 4B (Type B), and Hotel Occupancy Taxes.

One-half cent of local sales tax limit funds the Corporations: one-fourth cent goes to Type A (SLDC) and one-fourth cent to Type B (SL4B). Type A sales tax is used to fund various economic development activities. The Development Corporation Act of 1979 established these funds to allow small cities to compete with larger, better-funded cities for projects; the program expanded because it was so successful. Today there are 697 Corporations in Texas:

- 114 Cities with both Type A and Type B Corporations (228 Corporations)
- 108 Type A Cities
- 361 Type B Cities
- 583 Total Participating Cities (687 Corporations)

ORIENTATION (CONTINUED)

Ms. Morales stated that there are more Type B cities than Type A because the permissible projects are quality of life in nature. Type A projects are business development in nature.

History of Economic Development Sales Tax

Ms. Morales reviewed an historical timeline of the economic development sales tax in Texas:

1979	Texas Legislature passes “The Development Corporation Act of 1979”
1989	Legislature adds Section 4A and allowed cities to dedicate sales tax to fund corporations
1991	Legislature adds Section 4B (but limited it to cities located in only four counties within the State)
1993	Legislature expands 4B to all counties or debt cities within the State
1997	Corporations must report annually to Comptroller by February 1 st
1997	4A Corporations authorized to undertake 4B projects with voter approval <ul style="list-style-type: none"> An example is our voters being asked in 2008 to allow 4A dollars to provide additional funding for the Performing Arts Center
1999	Legislature expands allowable projects to include infrastructure, job creation and retention, job training, and educational facilities
2001	Legislature expands allowable projects to include research and development facilities and passes training requirements for 4A/4B corporation and city officials
2003	Legislature removes educational facilities, learning centers and municipal buildings from definition of project; adds “primary jobs” language that limits retail incentives to infrastructure, job training, and promotional expenditures; and sets forth contract requirements that must be met before incentives may be provided to a business
2005	Restrictions on retail incentives removed for certain communities; certain sewer utilities, site improvements, and military related projects added as eligible projects; call centers added to definition of primary jobs
2007	Light rail, commuter rail, or motor buses added to eligible projects; 4A/ 4B Corporations will be referred to as “Type A” and “Type B” Corporations
2009	Economic Development sales tax statute re-codified into Local Government Code (now under Section 501), effective April 1, 2009
2009 (cont.)	Restricted Geographic Areas – Type A: <ul style="list-style-type: none"> HB 3854 – “Projects” can include certain hurricane recovery projects HB3072 – Cities with less than 20,000 can convey real property to 4A/4B corporations without complying with state notice and bid requirements

CITY OF SUGAR LAND
SUGAR LAND 4B CORPORATION MEETING
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2009 (cont.)	<p>All Type A Corporations (Broad Application):</p> <ul style="list-style-type: none"> • SB 2052 – Adds rail ports, rail switching facilities, marine ports, and inland ports to definition of project
2013	<p>Port Arthur Carve Out: Authorizes economic development sales tax funds to be spent on</p> <ul style="list-style-type: none"> • HB 1966: infrastructure - streets, rail, water, wastewater, electric utilities, gas utilities, drainage, site improvements, telecommunications, and facilities designed to remediate, mitigate, or control erosion (Sunset date September 1, 2017) • HB 1967: certain job--related life skills and job training programs for unemployed persons. • HB 2473: development or construction of housing facilities on or adjacent to the campus of a public state college. (Sunset date September 1, 2017)
2013 (cont.)	<p><u>HB 3390</u>: Extends expiration date of Economic Development Act to December 31, 2022</p> <ul style="list-style-type: none"> • Expands types of properties eligible for a value limitation to include “Texas priority projects,” as defined as qualified investment exceeding \$1 billion • Specifies property tax limitation agreements to 10 years (was 8) options for start date • Loosens job & wage requirements for agreements after January 1, 2013 • Repeals Subchapter D, which governs school tax credits • Requires State Auditor to review 3 major limitation agreements annually • Becomes effective January 1, 2014
2013 (cont.)	<p>HB 800: Creates R&D tax credit</p> <ul style="list-style-type: none"> • Allows business to deduct certain R&D expenditures from either State sales or franchise tax • Tax credit worth 5%; increases to 6.25% for companies that partner with college • Limits total amount of credit for any one company to 50% of franchise tax due & authorized carry forward of unused credits for up to 20 years
2013 (cont.)	<p><u>HB 1223</u></p> <ul style="list-style-type: none"> • Creates new state sales tax exemption for certain property used in qualified data centers • Authorized tax exemptions for 10 years if capital investment of at least \$200 million but less than \$250 million and 15 years for investments over \$250 million. • Prohibits companies from using both new data center incentives and Chapter 313 tax limitations
2013 (cont.)	<p><u>SB 1390</u>: Directs state auditor to conduct an audit of Texas Enterprise Fund (States’ Direct Incentive Program)</p>
2013 (cont.)	<p><u>SB 1548</u>: amends definition of “qualified employee” for the purposes of receiving enterprise zone incentives</p>

ORIENTATION (CONTINUED)

2013 (cont.)	<u>HB 1296</u> : directs Texas Higher Education Coordination Board and Texas Workforce Commission to prepare 3-year projections on workforce needs and educational attainment levels of existing workforce <ul style="list-style-type: none">• Due to the amount of job growth, workforce not able to meet the needs of the Corporations moving into the area• Workforce development
2013 (cont.)	<u>HB 2478</u> : requires Texas Workforce Commission to gather and study information relating to existing and projected shortages in high-wage, high-demand occupations in this state

Purpose of Sugar Land 4B Corporation

Ms. Morales explained the purpose of the Sugar Land 4B Development Corporations is to:

- Assist in the implementation of the City's Capital Improvement Program and Economic Development Program by performing procedural acts necessary to provide funding to accomplish identified projects and programs

The Corporation was originally created in 1995 to provide a funding source for First Colony Mall project. More recently, funding focused on quality of life initiatives as provided under the Act. There are seven Directors appointed for a staggered two year term (term limit is three consecutive 2-year terms).

General Powers and Duties

The powers and duties of the Corporation include:

- Power to expend tax proceeds
- Powers of a non-profit corporation
- Status as a non-stock corporation
- Financial transaction powers
- Exemption from federal, state, and local taxation
- Duty to comply with Open Meetings and Public Information Act

Budget Responsibilities

- Oversee the funding for identified projects included in the economic development plan in accordance with policies and directives established by City Council
- Follow guidelines of how Corporation proposes to use tax funds to achieve the objectives, including any limitations on use of funds

ORIENTATION (CONTINUED)

Budget Process

- Budget Committee appointed by SL4B Board
- Budget reviewed by SL4B Board
- Filed with City Council for consideration and approval

Permissible Type B Projects

- Must create or retain primary jobs
- Type B tax proceeds may be spent on land, buildings, equipment, facilities, expenditures, targeted infrastructure and improvements for items that fit the definition of “project” under Section 505.151 of the Act.
- Type B may provide the land, buildings, equipment, facilities, expenditures, targeted infrastructure and improvements necessary for creation of primary jobs, including a project.

Defined Project Types – Required to Create/Retain Primary Jobs

- Manufacturing and industrial facilities
- Research and development facilities
- Recycling facilities
- Air or water pollution control facilities
- Distribution centers
- Small warehouse facilities
- Primary job training facilities for use by higher education
- Regional or national corporate headquarters facilities

Other Authorized Categories

- Type B projects which are not required to create or retain primary jobs:
 - Job training classes
 - Certain infrastructure improvements that promote or develop new or expanded business enterprises limited to specific improvements
 - Land, buildings, equipment, facilities and expenditures required or suitable for a career center not located within the taxing jurisdiction of a junior college.
 - Development and expansion of commuter / light rail and airport facilities

ORIENTATION (CONTINUED)

Allows Quality of Life Projects

Permits expenditures for land, building, equipment, expenditures & improvements:

- Professional and amateur sports and athletic facilities
- Entertainment, tourist and convention facilities
- Public parks & related open space improvements
- Affordable housing
- Water supply facilities
- Water conservation programs

Promotional Expenditures

Can a Type A or Type B corporation expend sales tax proceeds for promotional purposes?

- Yes – Section 504.105 & 505.103
- Attorney General Opinion GA-86 (2003)
 - (1) Promotional Expenditures must advertise or publicize the city for the purpose of developing new and expanded business enterprise;
 - (2) The 10 percent limitation is an annual limitation (at this time about \$600,000 for the SL4B Corporation)

DIRECTOR REPORT

President Yeung introduced discussion on October 2013 Economic Development activities.

Ms. Morales stated that the Director Report, included in the Director's meeting packet, provided a summary of monthly activities of the Office of Economic Development. The overview provides information of the programs and activities.

Business Recruitment and Retention

United Health – expanded 192,000 square feet in current location (One Sugar Creek Place) and should be completed by the end of the year and brings about 1,500 employment positions. The building, known now as the Unocal Building has been renamed to the United Health Building.

Unique Industrial – has completed the additional 100,000 square feet of warehouse space within its current location on Cardinal Meadow.

Cosentino North America – taking the 6th floor within the Town Square Building A. The building will now be known as the Cosentino building.

CVR Energy – expanding an additional 12,500 square feet within Texas Building

DIRECTOR REPORT (CONTINUED)

World Trade – completed the addition of 140,000 square feet to the building located at 12999 Executive Drive. The company has internet sales of parts. *Ms. Morales* stated that the company is primary because it is wholesale and ships around the world.

Nalco – purchased 18.5 acres in the Imperial master-planned community (north of current location). Negotiations are ongoing for the construction of a new office building expansion to their research and development and a new warehouse facility.

Project Mustang and Project Bales – each have nondisclosure agreements

- Project Mustang – Latin American company to occupy 35,000 square feet. The site selection has been narrowed to the Conroe and Sugar Land opportunities. A decision should be reached by the end of the week.
- Project Bales – 490 jobs; more information is pending

Constellation Field – Hosted six corporations within the month of September

Ms. Morales stated that the businesses shown in the Business Recruitment and Retention category are creating a minimum of 100 jobs and making a significant capital investment. Additionally, annual minimum salaries are typically \$65,000. Sugar Land's has a higher minimum threshold for any kind of incentive, benefits and is representative of the average of all positions. Smaller companies might be shown on the list if they are relocating their corporate headquarters to our area.

Compliance Activities

- Noble Drilling – incentive payment received; tour of facilities hopefully next month
- Minute Maid – incentive payment for 4 years resolved; delay due to the economy, restructuring within the company. Office of Economic Development provided a significant amount of assistance to resolve the issues and provide the incentive payment. However it is noted, that \$300,000 was not able to be paid and resulted in a savings to the City. The relationship between the City and Minute Maid remains strong.
- 1601 Gillingham – the former Finger distribution center. The tax abatement has been cancelled. It was noted that the tax roll value on the facility has been reduced significantly from \$26 million to approximately \$7 million dollars.

Joint CIP

In Fiscal Year 2013, Sugar Land 4B Corporation funded \$100,000 to Glen Laurel Homeowners Association to replace fencing along West Airport Boulevard.

DIRECTOR REPORT (CONTINUED)

In Fiscal Year 2013, two applications have been received.

- RiverPark Recreation Center – Fort Bend LID No. 10 requested \$200,000 to replace existing playground equipment with all-accessible equipment. The application did not meet the program requirements and was denied. The project must be located on public easement or public right of way and in this case was privately held.
- Eldridge Park Ball Park Lighting – The Sugar Land Soccer Club has requested \$100,000 to install more ball park lighting at Eldridge Park. Staff requested that the application be resubmitted in phases to allow the Board room for considering options to fund fully or in part. It is expected to receive the amended application soon and the timing of receipt will dictate whether the Board will hold a meeting in November or December and consider the application for action.

The remainder of the report provides summaries on:

- marketing and advertising for business development and retail
- tourism activities
- Fiscal Year 2014 Strategic Projects

In conclusion, ***Ms. Morales*** referred to follow up to a question presented at the last meeting relative to data collected on the Wine and Food Affair Event impact to the community. Data is not collected on an annual basis, however a study was conducted in 2011 and the report is included within your meeting packet.

In addition to the application for consideration, the annual membership agreement with the Fort Bend Council Economic Development Council will be coming to the Board for consideration.

ADJOURN

There, being no further business to come before the Corporation, ***Director Jajoo***, seconded by ***Director Clancy***, moved that the meeting adjourn. The motion carried unanimously and the meeting adjourned, time at 5:13 o'clock P.M.

Bridget Yeung, President

(SEAL)